CLAIMS

What is claimed is:

1. A securitization method, comprising the steps of:

(a) selecting a portfolio of loans of one or more institutions, each loan having a corresponding borrower and involving at least one obligation of the corresponding borrower to make a payment to the lending institution, wherein the portfolio of loans includes at least 30% distressed commercial loans and wherein the loans are selected so that the portfolio meets predetermined criteria of one or more selected credit rating agencies;

(b) establishing a bankruptcy remote special purpose entity ("SPE") as an investment vehicle;

(c) designing a capital structure for the SPE configured so that all of the securities above the equity or equity-like tranches issued by the SPE upon closing of the transaction are eligible to receive investment grade credit ratings from said one or more selected credit rating agencies; and

(d) arranging for the conveyance of the portfolio that includes the distressed commercial loans to the SPE so that a synthetic asset pool including the distressed commercial loans is created in the SPE backing its securities, the synthetic asset pool emulating the cash flow and recovery characteristics of a portfolio of performing credit facilities.

2. The method of claim 1, wherein said portfolio of loans of at least 30% distressed commercial loans is determined by value.

3. The method of claim 1, wherein said portfolio of loans of at least 30% distressed commercial loans is determined by outstanding principal balance.

4. The method of claim 1, wherein said portfolio of loans of at least 30% distressed commercial loans is determined by commitment amount.

5. The method of claim 1, wherein at least one of said 30% distressed commercial loans in the portfolio of loans is distressed due to a default by the corresponding borrower in connection with the obligation of the corresponding borrower to make a payment to the lending institution.

6. The method of claim 1, wherein at least one of said 30% distressed commercial loans in the portfolio of loans is distressed due to a likelihood of a default by the corresponding borrower in connection with the obligation of the corresponding borrower to make a payment to the lending institution.

7. A process for evaluating a portfolio including at least 30% distressed commercial loans for the purpose securitizing the portfolio, the process comprising the steps of:

(a) evaluating the loan portfolio; and

(b) selecting distressed commercial loans to comprise at least 30% of a portfolio for securitization which meets predetermined criteria so that the portfolio emulates the cash flow and recovery characteristics of a portfolio of performing loans.

8. The process as recited in claim 7, wherein said distressed commercial loans comprise at least 30% of a portfolio determined by value.

9. The process as recited in claim 7, wherein said distressed commercial loans comprise at least 30% of a portfolio determined by outstanding principal balance.

10. The process as recited in claim 7, wherein said distressed commercial loans comprise at least 30% of a portfolio determined by commitment amount.

11. The process as recited in claim 7, wherein step (b) includes the step of eliminating loans which mature late in the term of the securitization.

12. The process as recited in claim 7, wherein step (b) includes the step of eliminating loans from the portfolio secured only by stock or other equity interests.

13. The process as recited in claim 7, wherein step (b) includes the step of eliminating loans from the portfolio that are denominated in foreign currency.

14. The process as recited in claim 7, wherein step (b) includes the step of eliminating loans from the portfolio that are extended to non-U.S. borrowers.

15. The process as recited in claim 7, wherein step (b) includes the step of eliminating loans from the portfolio extended to borrowers that are tainted by accounting irregularities.

16. The process as recited in claim 7, wherein step (b) includes the step of eliminating loans from the portfolio extended to borrowers that are tainted by environmental problems.

17. The process as recited in claim 7, wherein step (b) includes the step of eliminating loans from the portfolio extended to borrowers that are tainted by protracted litigation.

18. The process as recited in claim 7, wherein step (b) includes the step of eliminating loans from the portfolio extended to borrowers supported by minimal collateral.

19. The process as recited in claim 7, wherein step (b) includes the step of eliminating loans from the portfolio extended to borrowers supported by no collateral.

20. The process as recited in claim 7, wherein step (b) includes the step of eliminating loans from the portfolio extended to borrowers supported by minimal restrictive covenants.

21. The process as recited in claim 7, wherein step (b) includes the step of determining the diversity of the borrowers in the portfolio.

22. The process as recited in claim 21, wherein step (b) further includes the step of selecting the distressed loans to meet predetermined borrower diversity criteria of one or more selected credit rating agencies.

23. The process as recited in claim 22, wherein step (b) further includes the step of balancing the portfolio so that the number of borrowers is greater than 30.

24. The process as recited in claim 22, wherein step (b) further includes the step of determining the industry diversity of the borrowers in the portfolio.

25. The process as recited in claim 24, wherein step (b) further includes the step of selecting the loans so that the portfolio meets the industry diversity criteria of one or more selected credit rating agencies.

26. The process as recited in claim 25, wherein step (b) further includes the step of balancing the portfolio so that the selected loans have been extended to borrowers representing at least 12 industries.

27. The process as recited in claim 25, wherein step (b) further includes the step of determining the ratio of the loan commitments to any one borrower relative to the aggregate loan commitments to all borrowers.

28. The process as recited in claim 27, wherein step (b) further includes the step of determining the ratio of the aggregate loan commitments to all borrowers in an industry relative to the aggregate loan commitments to all borrowers.

29. The process as recited in claim 28, wherein step (b) further includes the step of selecting the loans to meet predetermined loan commitment concentration criteria of one or more selected credit rating agencies.

30. The process as recited in claim 29, wherein step (b) further includes the step of balancing the portfolio so that the loan commitments to any one borrower do not represent more than 5% of the aggregate loan commitments to all borrowers.

31. The process as recited in claim 30, wherein step (b) further includes the step of selecting loans so that the loan commitment concentration is less than 5% for at least 4 industries.

32. The process as recited in claim 30, wherein step (b) further includes the step of balancing the portfolio so that the loan commitment concentration is less than 5% for at least 4 industries.

33. The process as recited in claim 31, wherein step (b) further includes the step of selecting loans so that the loan commitment concentration is greater than or equal to 5% and less than 8% in at most 5 industries.

34. The process as recited in claim 32, wherein step (b) further includes the step of balancing the portfolio so that the loan commitment concentration is greater than or equal to 5% and less than 8% in at most 5 industries.

35. The process as recited in claim 33, wherein step (b) further includes the step of selecting loans so that the loan commitment concentration is greater than or equal to 8% and less than 12% in at most 2 industries.

36. The process as recited in claim 34, wherein step (b) further includes the step of balancing the portfolio so that the loan commitment concentration is greater than or equal to 8% and less than 12% in at most 2 industries.

37. The process as recited in claim 35, wherein step (b) further includes the step of selecting loans so that the loan commitment concentration is greater than or equal to 12% and less than 16% in at most 1 industry.

38. The process as recited in claim 36, wherein step (b) further includes the step of balancing the portfolio so that the loan commitment concentration is greater than or equal to 12% and less than 16% in at most 1 industry.

39. The process as recited in claim 37, wherein step (b) further includes the step of selecting loans so that the loan commitment concentration is less than 16% for all industries.

40. The process as recited in claim 39, wherein step (b) further includes the step of rebalancing the portfolio so that the loan commitment concentration is less than 16% for all industries.